

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

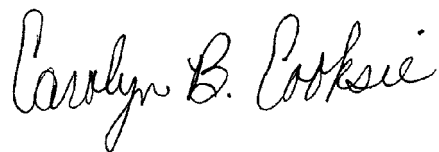
Notice FLP-142

1941-A

For: State and County Offices

Using Operating Loan (OL) Funds for Real Estate Repairs and Improvements

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A

Purpose

This notice provides established guidelines when using OL funds for real estate repairs and improvements.

B

Contact

State Offices shall direct questions about this notice to LMD at 202-720-1632.

2 Authorized OL Purposes

A

**Guidelines for
OL Purposes**

According to loan purposes established in FmHA Instruction 1941-A, Section 1941.16, OL funds may be used for limited real estate improvements and repairs according to the following guidelines.

- Repairs and improvements to existing structures which are treated as expenses, rather than capital improvements, shall be considered an annual operating expense under FmHA Instruction 1941-A, Section 1941.16(c).
- Fixtures to a farm building may be considered farm or ranch equipment and financed with OL funds under FmHA Instruction 1941-A, Section 1941.16(b).

Continued on the next page

Disposal Date

January 1, 2002

Distribution

State Offices; State Offices relay to County
Offices

2 Authorized OL Purposes (Continued)

A

Guidelines for OL Purposes (Continued)

- Loans may be approved for building construction under FmHA Instruction 1941-A, Section 1941.16(a) or (c), depending on the particular circumstances. Building construction may only be financed under the OL program when the proposed building can be repaid within 7 years.

Example: An \$8,000 pole barn to house a combine could be authorized. However, a \$100,000 building financed with a 15-year amortization and a 7-year balloon payment is not permitted. The 15-year amortization period indicates this loan is for real estate rather than operating purposes.

- Any purchase of land is **not** authorized.
-